State of Utah

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David H. Meyer
Acting Deputy Director
Office of Electricity Delivery and
Energy Reliability
U.S. Department of Energy
1000 Independence Avenue, S.W.
Washington, D.C. 20585-0002

September 20, 2005

Re: Response to DOE Economic Dispatch Questions

Dear Director Meyer:

The Utah Public Service Commission appreciates the opportunity to provide input to the Department of Energy's study on economic dispatch pursuant to Section 1234 of the Energy Policy Act of 2005.

The State of Utah has elected to retain retail rate regulation and the vertically-integrated electric utility model. Our continued jurisdiction over issues of economic dispatch by regulated public utilities is vital to our duties to ensure just and reasonable rates and reliable service to our retail constituents. We trust any federal action related to economic dispatch will be consistent with this reality.

The following are our responses to the questions contained in your September 1, 2005 letter to the Honorable Sam J. Ervin, IV, Commissioner of the North Carolina Utilities Commission:

Question 1

What are the procedures now used in your region for economic dispatch? Who is performing the dispatch (a utility, an ISO or RTO, or other) and over how large an area (geographic scope, MW load, MW generation resource, number of retail customers within the dispatch area)?

Response 1

We are unaware of formal dispatch requirements; procedures are developed by utility company managers and implemented by utility company operators and these decisions are subject to prudence review in general rate proceedings. It is our understanding that PacifiCorp is responding to this survey with the details of its economic dispatch procedures.

In Utah, dispatch is performed by each utility company. Utility systems operate and dispatch the resources and contracts they control to minimize the operating cost of serving retail customers, subject to WECC reliability requirements, economic or physical transmission constraints and market opportunities.

PacifiCorp, the largest public utility system operating in Utah, performs economic dispatch to minimize the net cost to operate its single integrated utility system. The geographic scope of its utility system is, in its broadest sense, the entire western interconnection. The PacifiCorp utility system serves over 8,600 megawatts of retail demand at peak to 1.6 million retail customers located in six western states, and about 1,400 megawatts of demand at peak to wholesale customers throughout the western interconnection. It supplies this demand with about 8,100 megawatts of generating resources it owns in nine western states, about 3,300 megawatts of purchase power agreements throughout the western connection, and delivers this supply with transmission facilities and rights it has throughout the western interconnection.

Question 2

Is the Act's definition of economic dispatch (see above) appropriate? Over what geographic scale or area should economic dispatch be practiced? Besides cost and reliability, are there any other factors or considerations that should be considered in economic dispatch, and why?

Response 2

Section 1234 defines "economic dispatch" as "the operation of generation facilities to produce energy at the lowest cost to reliably serve customers, recognizing any operational limits of generation and transmission facilities." While this definition appears generally reasonable, we must caution our statement with the fact that what constitutes economic dispatch is the subject of many of our general rate proceedings and therefore, we must reserve the right to consider the recommendations of parties with respect to appropriate dispatch of resources to minimize retail rates.

Economic dispatch should be performed to make use of all available opportunities in the entire western interconnection to provide the lowest cost electric service to PacifiCorp's retail customers.

Question 3

How do economic dispatch procedures differ for different classes of generation, including utility owned versus non-utility generation? Do actual operational practices differ from the formal procedures required under tariff or federal or state rules, or from the economic dispatch definition above? If there is a difference, please indicate what the difference is, how often this occurs, and its impacts upon non-utility generation and upon retail electricity users. If you have specific analyses or studies that document your position, please provide them.

Response 3

Both utility owned generation and power purchases (regardless of ownership) are based on economic dispatch subject to any operational or contractual constraints.

Again, we are unaware of formal rules regarding economic dispatch. In practice, revenue requirement determinations in rate cases base PacifiCorp's net power costs on computer simulations of economic dispatch. The degree to which the computer simulation captures actual, real time operations is a subject of substantial testimony and investigation in rate cases; the intent by expert witnesses is to ensure for retail customers that the utility is prudently operating its system. One difference between real time economic dispatch and economic dispatch for rate making is that simulated dispatch uses weather normalized loads, hydro output and market conditions and real time operational dispatch is based on actual loads, hydro and market conditions.

Question 4

What changes in economic dispatch procedures would lead to more non-utility generator dispatch? If you think that changes are needed to current economic dispatch procedures in your area to better enable economic dispatch participation by non-utility generators, please explain the changes you recommend.

Response 4

This issue has not been formally raised in Utah, and therefore we have no recommendations to offer.

We are aware that analysis by the cost-benefits workgroup of GridWest (an independent transmission system organization under consideration for a subset of western states that includes Utah) shows lower costs may be possible for the footprint of GridWest from improved economic dispatch of ancillary services. This issue has yet to be brought before the Commission and reviewed formally.

Question 5

If economic dispatch causes greater dispatch and use of non-utility generation, what effects might this have on the grid, on the mix of energy and capacity available to retail customers, to energy prices and costs, to environmental emissions, or other impacts? How would this affect retail customers in particular states or nationwide? If you have specific analyses to support your position, please provide them to us.

Response 5

We have not performed such an analysis, nor has the issue been raised and investigated in our state and therefore we have no response to offer.

Question 6

Could there be any implications for grid reliability, positive or negative, from greater use of economic dispatch? If so, how should economic dispatch be modified or enhanced to protect reliability?

Response 6

This is also now a subject of workgroup analysis with respect to the regional costs and benefits of GridWest. We anticipate this issue will be brought before us, reviewed and evaluated by parties in context with formal recommendations to us regarding the value to Utah retail customers of PacifiCorp's full participation in GridWest.

Again, we appreciate the opportunity to provide input on the Department's study. We look forward to further discussions as necessary for implementation of the 2005 Energy Policy Act. Should additional questions arise regarding these comments, please contact Becky Wilson, Utah Commission staff, at (801) 530-6770 or email rlwilson@utah.gov.

Sincerely,

s/ Julie Orchard
Commission Secretary
Utah Public Service Commission